

## THE NETHERLANDS 1999

### 1. Overview of the system

Unemployment insurance pays 70 per cent of the last earned wage for a period of time dependent on age. A system of family related social assistance benefits is universally available, conditional on a means and a work test. Taxation is individual. Housing costs can be covered by a separate individual benefit. The 1999 APW earnings level is NLG 59 481. A so-called “compensation allowance” of NLG 1 242 is included in this amount (see 10.1.1). Earnings related benefits are based on gross earnings without the compensation allowance, thus NLG 54 659. All information in this chapter applies to 1 January 1999.

### 2. Unemployment insurance

The unemployment benefit (WW) includes three types of benefits: 1. the earnings related benefit (at least half a year up till 5 years), 2. the follow-up benefit (2 years, for older people till a maximum of 3½ years) and 3. the short benefit (2. and 3. are minimum-wage related benefits).

The unemployment benefits are supplemented by the “Supplementary Benefits Act” (TW).

#### 2.1 Conditions for receipt

##### 2.1.1 Employment conditions

- *Earnings-related benefit / follow-up benefit*: to have worked 26 weeks in the last 39 weeks immediately preceding unemployment, plus to have worked at least 52 days or more during four of the last five years. Calendar years during which the person cared for children under 6 count fully for this requirement. Calendar years during which the person cared for children between 6 and 12 qualify for 50 % of this requirement;
- *Minimum-wage related benefit*: 26 weeks in the last 39 weeks immediately preceding unemployment.

##### 2.1.2 Contribution conditions

- *Earnings-related benefit / follow-up benefit*: at least 52 days in paid employment (hence contributed) in four of the last five years preceding unemployment.

## 2.2 Calculation of benefit amount

### 2.2.1 Calculation of gross benefit

#### 2.2.1.1 Earnings-related benefit:

70 per cent of gross earnings lost up to a maximum daily wage of NLG 310.95 (5 days per week), that is NLG 80 847 per year.

#### 2.2.1.2 Minimum-wage related benefit:

70 per cent of the minimum wage (minimum wage: NLG 2345.20 per month in 1999) (or 70 per cent of the daily wage if this is less than the minimum wage, i.e. because of part-time work).

#### 2.2.1.3 Supplementary Benefits Act (TW)

The TW provides assistance to unemployed or disabled persons receiving benefit under the WW, WAZ, Wajong, WAO, Wamil or WZ schemes if their income (plus that of their partner) falls below the minimum guaranteed income (this being the gross legal minimum wage divided by 21.75).

Supplementary benefit equals the difference between the applicable minimum guaranteed income level and the total income of the beneficiary and his or her partner.

**As of 1 July 2001, the minimum guaranteed incomes were set as the following gross amounts**

Single person	70% of minimum wage
Lone parents	90% of minimum wage
Married persons and couples living together	100% of minimum wage

Note: Minimum salary in 1999 was NLG 2345.20 per month.

The term 'income' covers all work-related earnings, including most social security benefits, of claimants and their partner. Any property such as a private home, or capital such as savings, is disregarded.

For two years at most, part of the work-related income (up to a maximum of 15% of the minimum wage) is disregarded.

The maximum rates of supplementary benefits are:

- 30% of the minimum wage for married persons and couples living together;
- 27% of the minimum wage for lone parents;
- 21% of the minimum wage for single persons.

Supplementary benefit will never be more than the difference between the daily earnings or the basis on which the benefit has been calculated and the benefit to recompense for loss of income.

There is no entitlement to supplementary benefit:

- for unmarried persons under 21 living with their parents;
- for persons living with a partner (either married or not) born after 31 December 1971 who do not have any children under 12 living at home.

### *2.2.2 Income and earnings disregards*

If the claimant is working less than 5 hours/week, gross benefit is reduced by 30 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

### *2.3 Tax treatment of benefit*

Taxable.

### *2.4 Benefit duration*

The duration of the earning-related benefit varies with the employment record.

<b>Employment (years)</b>	<b>Duration (extended benefit)</b>
4	6 months
5 to 10	9 months
10 to 15	1 year
	6 months increase for every additional five years of employment
35 to 40	48 months
>= 40	60 months

Follow-up benefit: 2 years.

Short benefit: 6 months.

### *2.5 Treatment of particular groups*

#### *2.5.1 Young persons*

None.

### *2.5.2 Older workers*

Persons from 57.5 years old no longer have to look for work. The benefit stops when the recipient turns 65.

## **3. Unemployment assistance**

### ***3.1 Conditions for receipt***

#### *3.1.1 Employment conditions*

A person who is still unemployed after the earnings-related benefit expires is entitled to the follow-up benefit (see 2.1.1).

#### *3.1.2 Contribution conditions*

The same as for the earnings-related benefit (see 2.1.2).

### ***3.2 Calculation of benefit amount***

#### *3.2.1 Calculation of gross benefit*

Follow-up benefit: 70 per cent of the minimum wage (or 70 per cent of the daily wage if this is less than the minimum wage (NLG 2 345.20)).

#### *3.2.2 Income and earnings disregards*

If the claimant is working less than 5 hours per week, gross benefit is reduced by 30 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

### ***3.3 Tax treatment of benefit***

Taxable.

### ***3.4 Benefit duration***

Two years .

3.5 years if a person is 57.5 years or older on the first day of unemployment.

### **3.5 Treatment of particular groups**

#### **3.5.1 Young persons**

None.

#### **3.5.2 Older workers**

Persons 57.5 or older at the moment they loose their job have continued entitlements for the follow-up benefit until their 65th birthday.

## **4. Social assistance**

### **4.1 Conditions for receipt**

The Dutch National Assistance Act guarantees a minimum income to any Dutch national who does not have sufficient means of existence. Beneficiaries are mainly persons who are no longer entitled to benefits under the social insurance schemes such as unemployment insurance benefits and disability benefits, persons without a work history, and persons who unexpectedly lose income.

Entitlement to social assistance is dependent on the claimant seeking employment and being registered with the local employment exchange.

### **4.2 Calculation of benefit amount**

General social assistance payments are intended to cover normal costs of living, including the costs of food, housing, heating, furniture and recreation. The Dutch national government specifies three minimum basic benefit payment rates. There are three basic rates related to family composition.

#### **4.2.1 Calculation of gross benefit**

General social assistance (ABW):

Family situation	Proportion of the subsistence minimum	Corresponding net yearly benefit (excl. holiday allowance)
Couples	100%	23.991
Lone parent families	90%	21.592
Single 23 or older	70%	16.794

#### **4.2.2 Income and earnings disregards**

General assistance: no disregards; one-to-one income-test using the household net income. Family benefits and individual housing benefits are excluded from the income-test. Savings and assets worth over NLG 9 850 (NLG 19 700 for couples) are taken into account. The own dwelling is disregarded only up to a certain maximum. If the value of the house minus the mortgage exceeds this maximum, the recipient can get social assistance as a loan.

### 4.3 Tax treatment of benefit

The level of general assistance is defined on its net value; a net income level is guaranteed.

The income taxes on the social assistance benefit are not paid by the recipient, who thus receives a net benefit, but are transferred to the tax inspector by the municipality that is administering the benefit.

### 4.4 Benefit duration

- General assistance (ABW): as long as there is a need;
- Additional allowances: as long as there is a need.

### 4.5 Treatment of particular groups

#### 4.5.1 Young persons

Young people between 18 and 21 years of age are deemed to be in work, education or in the WIW (Law Involving Unemployed). Furthermore, until the age of 21 parents are supposed to provide financial support to young people. Therefore, municipalities are only obliged to provide benefits to applicants in this age group in exceptional circumstances.

General national assistance for young persons:

	family type	monthly allowance excl.holiday allowance
< 21 years with children	single parent	NLG 745.28
one is >21 years and one is <21, with children	married	NLG 1744.89
both >21 years old, with children	married	NLG 1090.71
<21 years, no children	single	NLG 345.43
	married both <21	NLG 690.86
	married one>21 one<21	NLG 1345.04

Note: local municipalities can decide to give additional allowances.

#### 4.5.2 Older workers

People receiving social assistance with an age of 57.5 years or older are not required to look for work.

#### 4.5.3 Lone parents

Lone parents must start looking for work if their youngest child is 5 years or older.

## **5. Housing benefits**

Housing benefit is based on rent levels restricted by minima and maxima and dependent of gross family income.

### ***5.1 Conditions for receipt***

All families, whether or not dependants are present, are eligible.

### ***5.2 Calculation of benefit amount***

#### ***5.2.1 Calculation of gross benefit***

Housing benefit is based on rent levels and taxable income. The maximum taxable income to be eligible for housing benefits is NLG 35 600 for singles and NLG 47 750 for others under 65 years of age. (For households where the oldest person's age is over 65, other values apply) The minimum monthly own contribution to the payment of house rents is NLG 349; the own contribution increases with the taxable income. Monthly house rents up to NLG 1 107 qualify for housing benefits.

#### ***5.2.2 Income and earnings disregards***

The benefit is income related as described in Section 5.2.1.

### ***5.3 Tax treatment of benefit***

Not taxable

### ***5.4 Treatment of particular groups***

#### ***5.4.1 Young persons***

The maximum rent level above which benefits cannot be calculated are NLG 7 116.

#### ***5.4.2 Older workers***

None.

## **6. Family benefits**

### ***6.1 Conditions for receipt***

All children under 18 qualify for child benefits.

## 6.2 Calculation of benefit amount

The amount of the child benefit depends on the age of the child.

### 6.2.1 Calculation of gross benefit

#### For children born on or after 1 January 1995

0-6 years	321.92
6-12 years	390.91
12-18 years	459.89

#### For children born before 2 October 1994

Child benefit net rate per child per quarter	Age groups		
	0-5	6-11 and 18-24	12-17
Families with			
1 child	321.92	459.89	597.86
2 children	367.91	525.58	683.25
3 children	383.23	547.47	711.71
4 children	416.21	594.58	772.95
5 children	435.99	622.84	809.69
6 children	449.18	641.69	834.20

#### For children born after 1 October 1994 and before 1 January 1995 and children who have reached the age of 6, 12, or 18 after 1 October 1994

Child benefit net rate per child per quarter	Age groups		
	0-5	6-11 and 18-24	12-17
Families with			
1 child	as	390.91	459.89
2 children	above	446.74	525.58
3 children		465.35	547.47
4 children		505.39	594.58
5 children		529.41	622.84
6 children		545.44	641.69

### 6.2.2 Income and earnings disregards

These benefits are not income related; they are not included in any means test.

## 6.3 Tax treatment of benefit

Not taxable.

#### ***6.4 Treatment of particular groups***

Since 1-5-1997 parents of handicapped children can get a supplementary benefit, as a partial compensation of the extra costs (TOG-arrangement). Age of the children: 3-18 years. Benefit for parents of multi-handicapped children (mental and physical): NLG 389 per quarter; children who are seriously physical handicapped or chronically ill: NLG 260 per quarter.

#### **7. Child-care benefits**

There are three forms of formal child care in the Netherlands: 1) care in centres that are subsidised by the local government; 2) spaces in a child care centre rented by employers; 3) unsubsidised private child care.

1997-text: Formal child care accounted for about 16 percent of all child care in the Netherlands in 1996.

I don't know the source of this figure. The leading source for data about child care is the book "Kinderopvang in gemeenten" (Child care in the local councils) published by the VNG, Vereniging van Nederlandse Gemeenten (Union of Local Councils). Latest edition 1999.

From a table in this book comes clear that the participation in child care is much lower:

	1996	1997	1998
0 - 3 year	14,5%	16,2%	16,9
4 - 12 year	1,6%	2,1%	3,0%
total	5,6%	6,4%	7,3%

The fees for subsidised child-care depend on the parents' income.

### **7.1 Calculation of the benefit amount**

The monthly fee per child for subsidised child care is a function of the parents' pooled net income. The net income is defined as gross earnings plus taxable benefits minus income and social security taxes. For the first child, parents pay a fixed amount (NLG 103) plus 25 percent of the difference between the net income and the social minimum. The social minimum equals the basic social assistance payment rate for the relevant family type. The maximum payment is NLG 1 133. For the second child, parents pay a fee equal to 30 percent of their contribution for the first child.

These are the amounts for fully day care (5 days a week) for children up to 4 years. After-school care (5 days a week), for children from 4 till 12 years of age the costs are half of it.

## **8. Employment-conditional benefits**

An extra tax allowance exists for working lone parents (see Section 10.1.1).

## **9. Lone-parent benefits**

There is a special tax allowance, but specific benefits do not exist.

## **10. Tax system**

### **10.1 Income tax rate schedule**

#### **10.1.1 Tax allowances and credits**

In principle all taxpayers are entitled to a basic allowance of NLG 8 799. If one spouse/partner has no income or an income less than NLG 8 380 then NLG 8 380 can be transferred and claimed by the other spouse/partner. The following additional allowances apply according to circumstances:

1. Single parents supplement: NLG 6 704. Those entitled: any single parent with dependent children aged under 27;
2. Extra single parents supplement: 12 per cent of the income earned outside the household (maximum supplement NLG 6 704). Those entitled: any single parent who works outside the household and has a child aged under 12 living at home.

In order to be eligible for a supplement to the personal allowance or to use the partner's basic allowance, the taxpayer must meet the relevant conditions for at least six months in the year concerned.

Reliefs for social security contributions: The Netherlands has schemes for employees and general social security schemes.

Schemes for employees: Employees' social security contributions (see § 2.1.) are deductible with the exception of the health insurance contribution. The employers' health insurance contribution is subject to tax.

General social security schemes: Premiums paid for general schemes are not deductible for income tax purposes. Since 1990, the contributions for schemes covering exceptional medical expenses and disability benefits are no longer levied from the employers but instead from the employees (since 1998, the contribution for disability benefits is abolished. The employers in exchange pay a so-called 'compensation allowance' to the employees. This allowance is subject to tax (and to contributions for the general social security schemes) but not to contributions for social insurance schemes for employees. As from 1998, the contributions for schemes providing invalidity benefits are no longer levied from the employees but instead from the employers.

The allowance is 2.2 per cent of gross wage (excluding the compensation allowance itself) less deductible premiums for employees' social security schemes (unemployment insurance) less the standard deduction for work-related expenses plus the employers' contribution for health insurance. The maximum amount of the compensation is 2.2 per cent of NLG 83 200.

Work-related expenses: Since 1990 travel expenses of commuters for distances of 10 km or less are no longer deductible. Other work-related expenses may always – without proof – be deducted on a forfatory basis, such expenses are deemed to be 12 per cent of the annual wage, with a minimum of NLG 258 and a maximum of NLG 3 174.

### *10.1.2 The tax schedule*

Income tax brackets (annual)	Income tax rates (%)
0 - 15 000	6.2
15 001 - 48 175	7.5
48 176 - 105 954	50
105 954 and over	60

The level of the means-tested benefits is fixed as a net value. The benefit supplier is due to pay the taxes of which the levels are based on the family type.

### *10.2 Treatment of family income*

Spouses are taxed individually. If one partner is not able to use the basic allowance of NLG 8 799, basic allowance is partially transferred to the other partner. (see 10.1)

### *10.3 Social security contribution schedule*

#### *Employees' contributions*

Schemes for employees:

Unemployment: 6.1 per cent of gross wage less compensation allowance (ceiling NLG 80 910) with a franchise of NLG 28 188 (this contribution is only for the general unemployment fund);

Health insurance: 1.55 per cent of gross wage less compensation allowance if wage is below NLG 64 300 (ceiling NLG 54 810); in addition a fixed payment of NLG 396 a year for each adult (if wage is below NLG 64 300).

General schemes (levied combined with income tax):

Old age pension: 17.9 per cent of taxable income in the first and second tax bracket.

Survivors pension: 1.4 per cent of taxable income in the first and second tax bracket.

Exceptional medical expenses: 10.25 per cent of taxable income in the first and second tax bracket.

## **11. Part-time work**

### ***11.1 Special benefit rules for part-time work***

Seasonal workers have different qualifying conditions for the basic unemployment insurance benefit.

### ***11.2 Special tax and social security contribution rules for part-time work***

Not more applicable.

## **12. Policy developments**

The focus on labour market re-integration go ahead, also for older people (50+).

From January 2001 a new tax system is being implemented, which leads to a reduction of the difference between gross and net income, by lowering of the tax rates.

## THE NETHERLANDS

### The annual tax/benefit position of an unemployed single person 1999 (in guilders)

	Initial rate Unemployment benefit (24 months)	After 5 years (indefinite)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance benefits	0	16 794
<b>Non-means tested benefits</b>		
Unemployment insurance	41 638	0
<b>Total</b>	<b>41 638</b>	<b>16 794</b>
<b>B. Income tax and social security contributions</b>		
Allowances	8 799	-
Taxable income	32 838	0
Income tax	2 268	0
Social security contributions	9 704	0
<b>Total</b>	<b>11 972</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Housing benefits	1 811	6 134
<b>Non-means tested benefits</b>		
<b>Total</b>	<b>1 811</b>	<b>6 134</b>
<b>D. Net income out of work (A-B+C)</b>	<b>31 477</b>	<b>22 928</b>
<b>E. Net income in work</b>	<b>38 394</b>	<b>38 394</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>82</b>	<b>60</b>

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**The annual tax/benefit position of an unemployed married couple  
with two children (6 and 4 years old)**

**1999**

(in guilders)

	Initial rate Unemployment benefit (24 months)	After 5 years (indefinite)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance benefits	0	23 991
<b>Non-means tested benefits</b>		
Unemployment insurance	41 637	0
<b>Total</b>	<b>41 637</b>	<b>23 991</b>
<b>B. Income tax and social security contributions</b>		
Allowances	17 179	-
Taxable income	24 458	0
Income tax	1 639	0
Social security contributions	7 227	0
<b>Total</b>	<b>8 866</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Housing benefits	6 749	6 749
<b>Non-means tested benefits</b>		
Family benefits	3 311	3 311
<b>Total</b>	<b>10 060</b>	<b>10 060</b>
<b>D. Net income out of work (A-B+C)</b>	<b>42 830</b>	<b>34 051</b>
<b>E. Net income in work</b>	<b>47 886</b>	<b>47 886</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>89</b>	<b>71</b>

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### The annual tax/benefit position of a lone parent with two children (6 and 4 years old)

1999

(in guilders)

	Initial rate Unemployment benefit (24 months)	After 5 years (indefinite)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance benefits	0	21 592
<b>Non-means tested benefits</b>		
Unemployment insurance	41 637	0
<b>Total</b>	<b>41 637</b>	<b>21 592</b>
<b>B. Income tax and social security contributions</b>		
Allowances	15 503	-
Taxable income	26 134	0
Income tax	1 765	0
Social security contributions	7 722	0
<b>Total</b>	<b>9 487</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Housing benefits	6 749	6 749
<b>Non-means tested benefits</b>		
Family benefits	3 311	3 311
<b>Total</b>	<b>10 060</b>	<b>10 060</b>
<b>D. Net income out of work (A-B+C)</b>	<b>42 209</b>	<b>31 652</b>
<b>E. Net income in work</b>	<b>51 929</b>	<b>51 929</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>81</b>	<b>61</b>